

Message Text

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SUBJECT: DISTILLED SPIRITS COUNCIL

REF.: STATE 018955

1. SUMMARY: IMPORTERS OF U.S. BOURBON CONTACTED BY EMBASSY STATE THEY DO NOT BELIEVE BOURBON IS FACED WITH ANY GOVERNMENT DISCRIMINATION. JAPANESE CUSTOMS TARIFF SCHEDULES DEFINE BOURBON SEPARATELY FROM OTHER WHISKEYS AND IN EFFECT GRANT IT LOWER DUTY RATE. JAPANESE DOMESTIC ALCOHOL TAX LAW DOES NOT DISTINGUISH BETWEEN TYPES OF WHISKEY EXCEPT BY AMOUNT OF ALCOHOLIC CONTENT; THIS LAW TAXES WHISKEY BASED ON VALUE PER LITER, SO BOURBON, SCOTCH AND SOME HIGHER GRADE JAPANESE WHISKEYS ARE TAXED AT SAME RATE. ONE IMPORTER SAID ONLY PREJUDICE AGAINST BOURBON IS IN PALATE OF JAPANESE CONSUMER. END SUMMARY.

2. JAPANESE GOVERNMENT DEFINITIONS REQUESTED BY SPIRITS COUNCIL ARE CONTAINED IN TWO SOURCES: DOMESTIC LIQUOR TAX ACT LAW AND CUSTOMS TARIFF SCHEDULES. THERE IS NO INDICATION THAT DEFINITIONS ARE PREJUDICIAL TO BOURBON. EMBASSY CHECK OF THREE BOURBON IMPORTERS, INCLUDING TWO U.S. COMPANIES, INDICATED NO DISCRIMINATION. TO THE CONTRARY, THESE COMPANIES FELT THE TARIFF AND DOMESTIC TAXES FAVORED BOURBON OVER SCOTCH WHISKEY.

3. JAPANESE CUSTOMS TARIFF SCHEDULES LIST THREE CATEGORIES
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OF WHISKEY: BOURBON WHISKEY, RYE WHISKEY, AND OTHER

WHISKEY. BOURBON IS DEFINED AS SUCH ONLY IF QTE THE CONTAINER IS LABELLED TO INDICATE THE COMMERCIAL IDENTIFICATION OF THE PRODUCT, AND THAT THE LABEL IS APPROVED BY THE GOVERNMENT OR A GOVERNMENT INSTRUMENTALITY OF THE COUNTRY OF ORIGIN UNQTE. JAPANESE CUSTOMS BUREAU TOLD EMBASSY THAT BOURBON AND RYE ARE MENTIONED SPECIFICALLY, WHILE SCOTCH COMES UNDER HEADING OF QTE OTHER UNQTE, BECAUSE BOURBON AND RYE ARE SPECIFICALLY DESIGNATED IN THE GATT AS SEPARATE CATEGORIES.

4. JAPANESE DOMESTIC ALCOHOL TAX LAW PROVIDES THREE RELEVANT DEFINITIONS FOR WHISKEY:

A) WHISKEY IS MADE FROM SACCHARIFIED GERMINATED GRAINS AND WATER WITH FERMENTED ALCOHOL SUBSTANCES BY DISTILLATION;

B) WHISKEY IS DISTILLED FROM ALCOHOL SUBSTANCES WHICH CONTAIN GERMINATED GRAINS. IN THE CASE OF ALCOHOL SUBSTANCES WHICH CONTAIN BOTH GERMINATED GRAINS AND FRUIT, THE QUANTITY OF GRAIN SHOULD EXCEED THE FRUIT WEIGHT. THE VOLUME OF GERMINATED GRAIN SHOULD BE MORE THAN 20 PARTS OUT OF A HUNDRED OF THE TOTAL QUANTITY OF ALL SUBSTANCES OTHER THAN WATER;

C) WHISKEY AS DESCRIBED IN (A) OR (B) ABOVE, TO WHICH IS ADDED ALCOHOL, SPRITS, LOW-CLASS DISTILLED SPIRITS, SPICES, COLORING MATTER AND WATER, IS ALSO CLASSIFIED AS WHISKEY.

5. JAPANESE CUSTOMS LEVIES DUTY ON BOURBON AT RATE OF 28 PER CENT C.I.F. VALUE AND ON RYE WHISKEY AT 32 PER CENT. ALL WHISKEY FALLING UNDER THE QTE OTHER UNQTE CATEGORY IS DUTIED AT A FLAT RATE OF 392 YEN PER LITER. THESE RATES WERE FIXED IN NOVEMBER, 1972. FIFTH OF SCOTCH (760 ML) THEREFORE WOULD BE ASSESSED 298 YEN DUTY. IN ORDER FOR BOURBON TO PAY SAME AMOUNT AS SCOTCH, C.I.F. VALUE OF FIFTH OF BOURBON MUST BE AT LEAST 1,074 YEN. ACTUALLY, UNCLASSIFIED

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STANDARD BOURBONS ENTER JAPAN VALUED AT ABOUT 500 YEN PER FIFTH, ACCORDING TO ONE U.S. COMPANY. AS A RESULT, 140 YEN DUTY WOULD BE LEVIED ON AVERAGE FIFTH OF STANDARD BOURBON WHILE DUTY ON FIFTH OF SCOTCH WOULD BE 298 YEN IN ALL CASES.

6. JAPANESE DOMESTIC ALCOHOL TAX LAW DOES NOT DISTINGUISH BETWEEN TYPES OF WHISKEY, E.G., SCOTCH,

BOURBON, RYE, ETC. TAXES ARE APPLIED ACCORDING TO THE VALUE OF THE PRODUCT. WHISKEYS WHICH ARE VALUED AT LESS THAN 770 YEN PER LITER (I.E., 598 YEN PER FIFTH) ARE ASSESSED DOMESTIC TAX AT THE RATE OF 929,500 YEN PER KILOLITER FOR PREMIUM WHISKEY, 429,000 YEN PER KILOLITER FOR FIRST-CLASS WHISKEY, AND 148,000 YEN PER KILOLITER FOR SECOND-CLASS WHISEKY. THESE CLASSES ARE DETERMINED BY ALCOHOLIC CONTENT. 86 PROOF WHISKEY FALLS IN PREMIUM CATEGORY. HOWEVER, IN ORDER TO HAVE A PER LITER VALUE (C.I.F. PLUS DUTY) OF LESS THAN 770 YEN, SCOTCH MUST ENTER COUNTRY AT VALUE OF 300 YEN OR LESS PER FIFTH C.I.F. AND BOURBON AT 467 YEN OR LESS PER FIFTH C.I.F. HOWEVER, BECAUSE THEIR VALUES ARE HIGHER, NO BOURBONS OR SCOTCHES PRESENTLY FALL WITHIN THIS TAX CATEGORY.

7. FOR WHISKEY VALUED FROM 770 YEN TO 1,100 YEN PER LITER (C.I.F. VALUE PLUS DUTY), A 150 PER CENT AD VALOREM DOMESTIC ALCOHOL TAX IS APPLIED. FOR WHISEKY VALUED AT OVER 1,100 YEN PER LITER, A 220 PER CENT DOMESTIC ALCOHOL TAX IS APPLIED. MOST STANDARD BOURBONN AND SCOTCHES FALL UNDER 150 PER CENT TAX, AND PREMIUM BOURBONS AND SCOTCHES UNDER 220 PER CENT TAX. ACCORDING TO FINANCE MINISTRY'S ALCOHO TAX DIVISION, JAPANESE DOMESTIC WHISKEYS SUCH AS SUNTORY'S KOTOBUKI AND RESERVE, WHICH ARE CONSIDERED COMPARABLE TO STANDARD SCOTCHES, ALSO ARE ASSESSED IN THE 150 PER CENT AND 220 PER CENT CATEGORIES.

8. JAPANESE GOVERNMENT DOES NOT PROVIDE DEFINITIONS FOR BULK WHISKEY OR MALT WHISKEY.
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